



AURELIUS Group

(“AURELIUS” or “the Group”)

AURELIUS Corporate Carve-Out Survey 2022

London, 30 March 2022 – Geopolitical uncertainty has the potential to overshadow investors’ confidence at the start of the year that corporate carve-out activity across Europe will increase in 2022. This survey, which opened shortly before the Russian invasion of Ukraine, provides an interesting snapshot of how attitudes towards deal flow in 2022 have evolved with a number of respondents citing geopolitical uncertainty as a key driver naturally increasing over the period.

The seventh annual AURELIUS Corporate Carve-Out Survey revisited year-on-year trends and investigated how unprecedented levels of dealmaking have influenced perceptions and predictions for the year ahead. The survey reveals that 80% expect the volume of corporate carve-outs to increase in 2022 (verses 89% in 2021 and 60% in 2020). The biggest barrier to successful divestments is perceived to be (by 46.3% of respondents) matching vendor’s sale expectations.

These findings align to an uncertain macro-economy and excessive corporate debt which are complicating due diligence and business valuations. This contrasts to previous years, consecutively revealing the highest bidder and ability to execute would drive corporate carve-out activity, before the unprecedented volatility created by continuing geopolitical instability.

Every year the AURELIUS Corporate Carve-Out Survey canvasses corporate and advisory professionals to reveal year-on-year trends in the market and predictions of what lies ahead. This year’s survey was conducted between 21 February and 25 March 2022.

KEY FINDINGS:

The level of non-core European and UK businesses divesting in 2022 may increase relative to 2021.

- 80% of the respondents believed that the number of European and UK corporates looking to sell non-core European and UK businesses in 2022 will increase YoY.
- Merely 2% of respondents perceived that the number of non-European corporates wanting to sell non-core European and UK businesses will decrease in 2022.
- 51.2% of the respondents agree that ‘Brexit will increase the level of divestments of non-core UK businesses in 2021.’

The need to refocus on core operations will be a major driver for non-core European and UK businesses divesting in 2022.

- Over 75% of the respondents perceived the need to refocus on core operations will drive European and UK corporates to sell non-core businesses in 2022.

ESG and technology will be an important focus for firms looking to buy non-core European and UK businesses in 2022.

- 75% of the respondents agree or strongly agreed that 'The Covid-19 pandemic has proven the long-term value and resilience of tech-enabled businesses.'
- About 85% of the respondents agreed or strongly agreed that 'ESG will have a greater impact on transaction valuations in 2022.'

Matthias Täubl, CEO of AURELIUS, said: *“The collective insight of our investment and advisory network confirms that refocusing on core operations is a key reason for businesses in UK and Europe to divest their non-core businesses. It is also clear that ESG is having a greater impact on our investment decisions and buyers and sellers need to be taking this into greater consideration in their valuations. Last year’s carve-out activity proved to match the expectations of the 2021 Corporate Carve-Out Survey, a lot is left to be seen as to how the geopolitical situation shapes the corporate carve-out landscape across Europe.”*

Tristan Nagler, Partner at AURELIUS, added: *“These findings indicate that, notwithstanding the proliferating geopolitical uncertainties, the level of corporate divestment activity may be maintained across the UK and Europe. The clear improvement in market sentiment post-pandemic was clear, with a significant number of respondents believing the easing of Covid-19 restrictions will likely stimulate the overall volume of non-core divestment activity. However, with the war in Ukraine, there remains a lot of uncertainty around whether increasingly distressed markets offer attractive opportunities for buyers.*

FULL REPORT SUMMARY:

- **The record making number of deals in 2021 has given confidence that this trend could continue in 2022, particularly in the industrial sector.**
 - 80% of the respondents believed that the number of European and UK corporates looking to sell non-core European and UK businesses in 2022 will increase YoY.
 - Over 75% of respondents perceived the most sales of these non-core businesses in the industrial sector.
- **Respondents believe the overall volume of non-core divestment will continue to increase in 2022, especially in the UK. This is primarily perceived to be caused by the need to focus on core operations.**
 - Over 56% of the respondents perceive an increase in non-core divestments.
 - Over 75% of the respondents perceived the need to refocus on core operations will drive European and UK corporates to sell non-core businesses in 2022.
 - A majority of the respondents (35%) believed the UK will see the most non-core divestment in 2022.
- **There seems to be a strong perception that the amount of non-European corporates selling non-core European and UK businesses will not decrease in 2022, compared to**

2021. Here it is perceived that non-European corporates will also be driven by the need to refocus on core operations.

- Merely 2% of respondents perceived that the number of non-European corporates wanting to sell non-core European and UK businesses will decrease.
- A majority of the respondents (53.7%) believed that the need to refocus on core operations will drive non-European corporates to sell non-core European and UK businesses in 2022.
- A majority of respondents (36.6%) predicted that corporates around the size of €1.0bn - €5.0bn were most likely to sell non-core businesses in 2022. Most respondents (82.9%) also predicted that the ability to execute is an important quality which corporates will look for in buyers of non-core businesses.
- Turnaround / special opportunities investors are expected to be the most active buyers for European non-core corporate divestments in 2022. Europe is expected to have the highest level of investment in non-core European and UK corporate divestments. The biggest barrier to the completion of these divestments is expected to be matching vendor's value expectations.
 - 43.9% of the respondents perceived turnaround / special opportunities investors would be the most active buyers for European non-core divestments in 2022.
 - 97.6% of the responses believed that Europe would see the highest level of investments in non-core European and UK corporate divestments in 2022.
 - Most of the responses (46.3%) perceived that matching vendor's value expectations will be the biggest barrier to successful divestments.
- Complexity and the lack of focus on core strategy is seen by a majority of respondents (80.5%) to affect the level of corporate divestments in 2022.
- The board of public companies should have an M&A strategy of both acquisitions and divestments.
 - 65.9% of the respondents strongly agreed that *'For Public Companies, it is imperative for Boards to have an M&A strategy of both acquisitions and divestments.'*
- ESG will play a central part in creating transaction values in 2022
 - About 85% of the respondents agreed or strongly agreed that *'ESG will have a greater impact on transaction valuations in 2022.'*
- Tech-enabled business are resilient to geopolitical instability caused by the pandemic.
 - 75% of the respondents agree or strongly agreed that *'the Covid-19 pandemic has proven the long-term value and resilience of tech-enabled businesses.'*

- 2021's record level of M&A activity will not adversely affect investor confidence in 2022
 - 42.5% of the respondents neither agree nor disagree and 40% of the respondents agree that *'2021's record-breaking levels of M&A activity will improve investor confidence in making deals in 2022.'*
- Activist investor pressure will be pivotal in driving UK and European corporate divestment in 2022
 - 43.9% of the respondents agree that *'Activist investor pressure will drive UK and European corporate divestment activity in 2022.'*
- Brexit will continue to be a catalysing factor in increasing the level of divestments of non-core UK businesses in 2021
 - 51.2% of the respondents agree that *'Brexit will increase the level of divestments of non-core UK businesses in 2021.'*
- It remains undetermined whether the number of corporate carve outs in 2022 will be adversely affected by the UK National Security and Investment Act.
 - 65.9% of the respondents neither agree nor disagree that *'The UK National Security and Investment Act will reduce the number of corporate carve-outs in 2022.'*
- It remains undetermined whether the fear of interest rate rises and inflation will drive more debt-funded deals.
 - 34.1% of the respondents agree, 31.7% of the respondents disagree, and 24.4% of the respondents neither agree nor disagree that *'Fear of interest rate rises and inflation will drive more debt-funded deals.'*

END



Notes to Editor:

ABOUT AURELIUS

AURELIUS Group is a pan-European asset management group with offices in Munich, London, Stockholm, Madrid, Amsterdam, Milan and Luxembourg.

Key investment platforms are its AURELIUS European Opportunities IV fund as well as listed AURELIUS Equity Opportunities SE & Co. KGaA ("AEO"; ISIN: DE000A0JK2A8), which acquire corporate carve-outs and companies with development potential in the mid-market (fund) and lower mid-market sector (AEO). The investment strategy's core element is operational support of its portfolio companies with a team of almost 100 in-house operating taskforce experts. AURELIUS Group also operates in the areas of growth capital, real estate opportunities and debt. With its group charity AURELIUS Refugee Initiative e.V., AURELIUS provides comprehensive support for refugees on their way towards a better life.

To find out more, visit www.aurelius-group.com

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